



CITIZENS' FINANCIAL REPORT

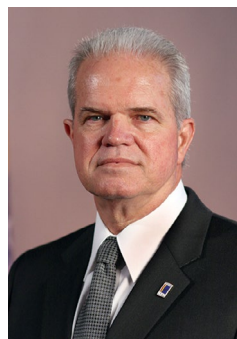
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For the Fiscal Year ended June 30, 2016
CITY OF DURHAM, NORTH CAROLINA



BUILDING A BETTER DURHAM

TO CITY OF DURHAM RESIDENTS:



ROME WASN'T BUILT IN A DAY. What is true for Rome is also true for Durham. The foundation for Durham's success, like all successful cities, was built one step at a time, decision by decision, over a period of many years.

There used to be a time when officials from Durham regularly reached out to other cities to find out how they did things, so that we could learn from them and follow their lead. Now, the shoe is on the other foot. Today, other cities are learning from Durham, with more and more people coming here to ask, "How do you do it?" Our progress is apparent, both at home and to others, far and wide. The word is getting out that Durham is a city that is getting it right.

On behalf of the Mayor and City Council, I am proud to present this year's *Citizens' Financial Report*, which focuses on how our community has successfully built a better Durham. Included with this year's report is our "Playlist for Success" (on page 14) which lists nine traits that we believe have helped contribute to Durham's success. As this list makes abundantly clear, the real news from Durham is how we are turning our good ideas into action. We strive for all of our decisions to be guided by a healthy respect for the past as well as a clear vision about where we want to be in the future. This ensures that our next decision about how our city grows is always a thoughtful one based on community input.

Local government can help build a better city, but can't do it alone. We need the help of residents. In fact, residents helped us with this report. Included with this year's financial highlights are three short articles written by Durham residents. When you read this year's report, pay special attention to Alice Sharpe's essay about "Fitting Into the Fabric of Durham" (on pages 6 & 7), John Schelp's historical perspective about Old West Durham (on page 15), and Steve Channing's piece about Duke Forest (on page 5). In their own ways, they each demonstrate how residents can help build stronger neighborhoods. Also be sure to check out the exciting drone photography by Estlin Haiss throughout the report that provides unique aerial views of our city.

We welcome your comments, questions, and concerns, and appreciate your interest in the City and its financial information. Thanks for your help in building a better Durham.

Sincerely,

Thomas J. Bonfield
City Manager



City of Durham – 2016 MAYOR AND CITY COUNCIL

Mayor William V. "Bill" Bell

Bottom row: left to right: Mayor Pro Tem Cora Cole-McFadden, Eddie Davis, Jillian Johnson, Don Moffitt, Charlie Reece, and Steve Schewel.



FISCAL SUSTAINABILITY:

KEEPING DURHAM'S HOUSE IN ORDER

A city's finances are a lot like a famous Italian opera. Great opera is a beautiful, elaborate production put on by talented, dedicated professionals. It doesn't take a trained eye or ear to respect the effort and commitment it demands. But it's also in a foreign language, and it's full of traditions, customs, and unspoken rules most casual fans don't understand. So if you're like most of us, you can't tell an excellent opera from an average one, but you're willing to trust the connoisseur sitting next to you.

The report you are reading is the *Citizens' Financial Report* for the 2016 Fiscal Year. The City provides a significant amount of financial detail in its *Comprehensive Annual Financial Report* (CAFR). For those without an accounting background, the CAFR can be daunting. In a continuing effort to provide greater transparency for residents and others, the City strives to provide pertinent information in a clear, understandable, and meaningful way. Financial information in this report is derived from the independently audited financial statements that are part of the City of Durham's 2016 CAFR. The data used in this report is simplified and condensed to reflect government-wide information. This report is not intended to be comprehensive, but rather to provide an easier to understand picture of the City's general condition.

How do we know Durham's finances are in good shape? The City is financially healthy because it delivers the services its residents expect with the resources its residents provide. What are the most meaningful financial performance measurements for municipal government? Below are some of the tools the City of Durham uses to gauge our financial results.

Budget – NC State Statutes require that the City adopt a balanced budget each year. The budget provides the guidance to the City to make sure spending is in line with revenue. Historically, the City's performance versus budget has been sound and often better than projection. As Calvin Coolidge once said, "There is no dignity quite so impressive, and no one independence quite so important, as living within your means."

Credit Ratings – The City uses three independent bond rating agencies (Standard & Poor's, Moody's, and Fitch) to assign credit ratings. Similar to a personal credit score, a municipal credit rating provides information about our ability to pay back debt.

The City is proud of the triple-A General Obligation debt rating it currently receives from all three agencies, which is the highest possible rating. Ratings have a direct impact on the City's ability to successfully attract investors, and more importantly to pay the lowest possible interest rate.

Debt – Most people don't pay cash for major investments like a home, but instead responsibly use debt to spread the cost of larger purchases over time. Like a household with finances in good shape, the City's debt is moderate. The City's outstanding General Obligation debt is well under the State of North Carolina's statutory limits.

Financial Planning – Durham has a track record of converting strategic decisions into constructive action and managing its long-term needs in a methodical manner. The City uses historical budget analysis, revenue projections, long range growth models, and the Capital Improvement Plan to determine future needs, timing, and acquisition of assets. Understanding long-term needs and obligations is paramount to planning for their impacts. Whether accounting for retirement funding, healthcare, or building maintenance, it is important to plan today for tomorrow's needs.

Fund Balance – There is no single number in governmental accounting and financial reporting that attracts more attention than the fund balance. Maintenance of an adequate fund balance is important because it provides a financial "safety net" in the event of emergencies, economic downturns, or other unforeseen circumstances. If there is one thing history can teach us, it is to expect the unexpected. Cities prepare for the unexpected by having savings in the form of fund balance. Fund balance maintenance is also a major factor considered by bond rating agencies when evaluating the City's creditworthiness. The City's Fund Balance Policy is to maintain an unassigned fund balance in the General Fund of no less than 12 percent and historically has maintained levels higher than this minimum level. For the fiscal year ended June 30, 2016, the City's unassigned fund balance is 32.6 percent (\$54.4 million). We can control our circumstances by having a surplus. This level of fund balance will help ensure the City's ability to operate, even in the face of unexpected emergencies.

City of Durham – MISSION STATEMENT

The City of Durham is dedicated to providing quality services to make Durham a great place to live, work, and play.

FINANCIAL RESULTS

Annual Independent Financial Audit

North Carolina State Statutes require that an annual audit be performed by an independent certified public accountant. This annual audit relates to the City's *Comprehensive Annual Financial Report* (CAFR), and the purpose of the annual audit is to ensure that the City is complying with generally accepted accounting principles (GAAP). In addition to meeting statutory requirements, the audit also complies with the Federal Single Audit Act. As it has in previous years, this year's Independent Auditor's Report confirms that the City's financial statements "present fairly, in all material respects, the respective financial position" of the City of Durham. All financial information contained in the Citizens' Financial Report is derived from GAAP amounts in the CAFR; portions of the information in this report are taken from financial statements that are contained in the CAFR. For more detailed financial information, visit the City's website at www.durhamnc.gov.

General Fund

The General Fund is the City's primary operating fund, and accounts for the revenue and expenditures associated with operating traditional local governmental services such as police, fire, and parks and recreation. For FY 2015-16, total General Fund revenue was \$177.9 million. Property tax revenue was approximately \$90.4 million and provided approximately 50.8 percent of total General Fund revenue. Total General Fund expenditures were \$164.4 million. Public safety accounted for approximately \$85.8 million (52.2 percent) of total expenditures in

the General Fund, up from \$82.1 million (48.4 percent) in the prior year. The charts on this page show the breakdown by percentage of General Fund revenue and expenditures.

Government-Wide Financial Statements

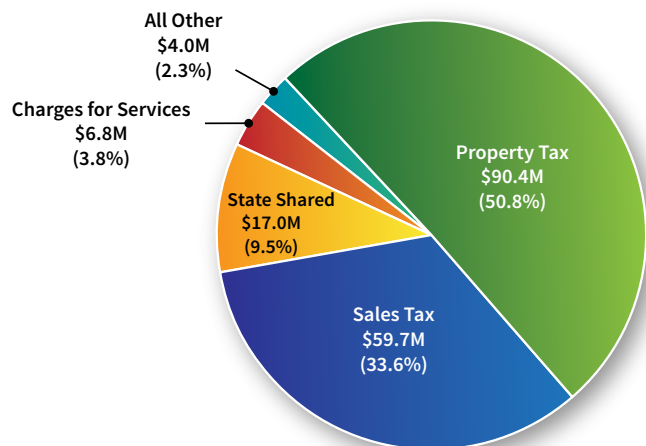
Government-wide financial statements are designed to provide readers with a broad overview of the City of Durham's finances in a manner similar to a private sector business. The statement of net position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position is improving or deteriorating. During FY2015-16, the City's net position increased by \$78.2 million. As of June 30, 2016 its assets exceeded its liabilities by \$1.26 billion compared to \$1.19 billion in the prior year.

Interdependence with Other Entities

The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. treasury securities because of actions by foreign governments and other holders of publicly held U.S. treasury securities.

General Fund Revenue

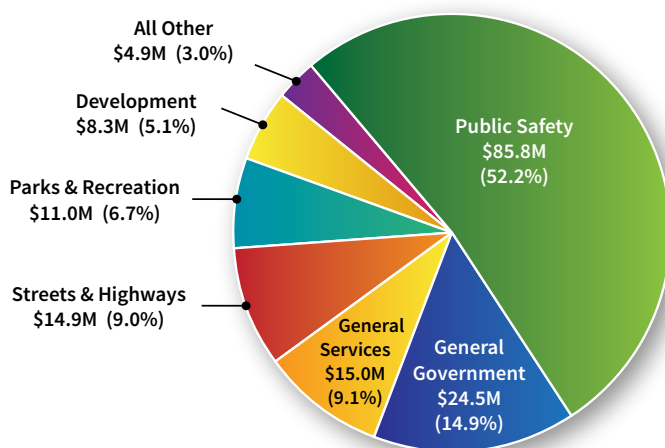
Year ended June 30, 2016



Total Revenue Equals \$177.9 Million

General Fund Expenditures

Year ended June 30, 2016



Total Expenditures Equal \$164.4 Million

DUKE FOREST *Dr. Steve Channing, a founding board member of the Museum of Durham History*

My wife Nancy Clapp-Channing and I initially moved to Durham from Chapel Hill in 1989, to the Woodcroft community, and enjoyed that experience for over a decade. As we learned about the pending construction of Southpoint Mall, we began to consider moving closer to Duke University, where Nancy worked at the Duke Clinical Research Institute. To our great delight, our realtor, Lucia Cooke, called us with news about the availability of a home in the Duke Forest subdivision, where we moved and have been living since the summer of 2000.

Why Duke Forest? It's aptly named! Beautiful tall trees, both pines and hardwoods are abundant throughout the community, giving it a very woodsy feel, yet close to downtown. It was originally carved out of the much larger Duke Forest experimental forest, managed by the University for teaching and research purposes since 1931. I was surprised to learn that the residential area, beginning with Pinecrest Street, began to be developed around the same time, as an effort to help attract new faculty from other regions of the country. Because of the Great Depression in the 1930s, Duke provided land and other amenities to enable new faculty to be able to afford to purchase homes in this very convenient and beautiful part of town, just south of the University.

There was minimal development until well after World War II, but in the late 1950s and into the '60's, as Duke began a significant expansion, new streets began to be carved out of the woods, and new homes developed. Our longtime neighbor, Dr. Joe Sommer, lived across the street from us on Sevier St. and told us that his house was the very first built on our street, in 1959. While his was done in a traditional, almost Dutch Colonial style, many of the houses built in the '60s were done in the "Mid-Century Modern" style, including our own. This gives a nice sense of architectural

diversity, rather than boring sameness, to the neighborhood. And no discussion of the Duke Forest subdivision can be complete without praising the wonderful walking/biking trail that runs around the golf course behind the Washington Duke hotel. We walk this shaded trail multiple times a week and every time we're there, we praise the genius of those who designed it, and feel blessed to have this gem located only a block or so from our house.

Many of our neighbors when we moved to Sevier Street in 2000 were older retired Duke faculty, most of them original owners. Our own house was long occupied by Prof. Alan Bone, long time head of the Music Department at Duke. Over these last 16 years, we've seen that many of these good folks have passed away or moved to area retirement communities, especially of course, The Forest at Duke! We especially miss Joe Sommer, who told great stories about growing up in Germany, serving as a young doctor during the war, and seizing the opportunity to come to the U.S. in the early 1950s.

And this reminds me of one of the very nicest features of our neighborhood: our lovely neighbors! We've made good friends in other places we've lived, but really never have had the closeness that we've enjoyed with so many nice neighbors here in Duke Forest. Nancy is also Co-Captain of our Neighborhood Watch, which also helps connect all of us and build a sense of shared community. Nancy was born and raised in a small town in Connecticut, while I grew up in a then safe and welcoming part of Brooklyn, NY. We're so glad we found a great home and neighborhood to enjoy this stage of our lives, right here in the great city of Durham, NC!



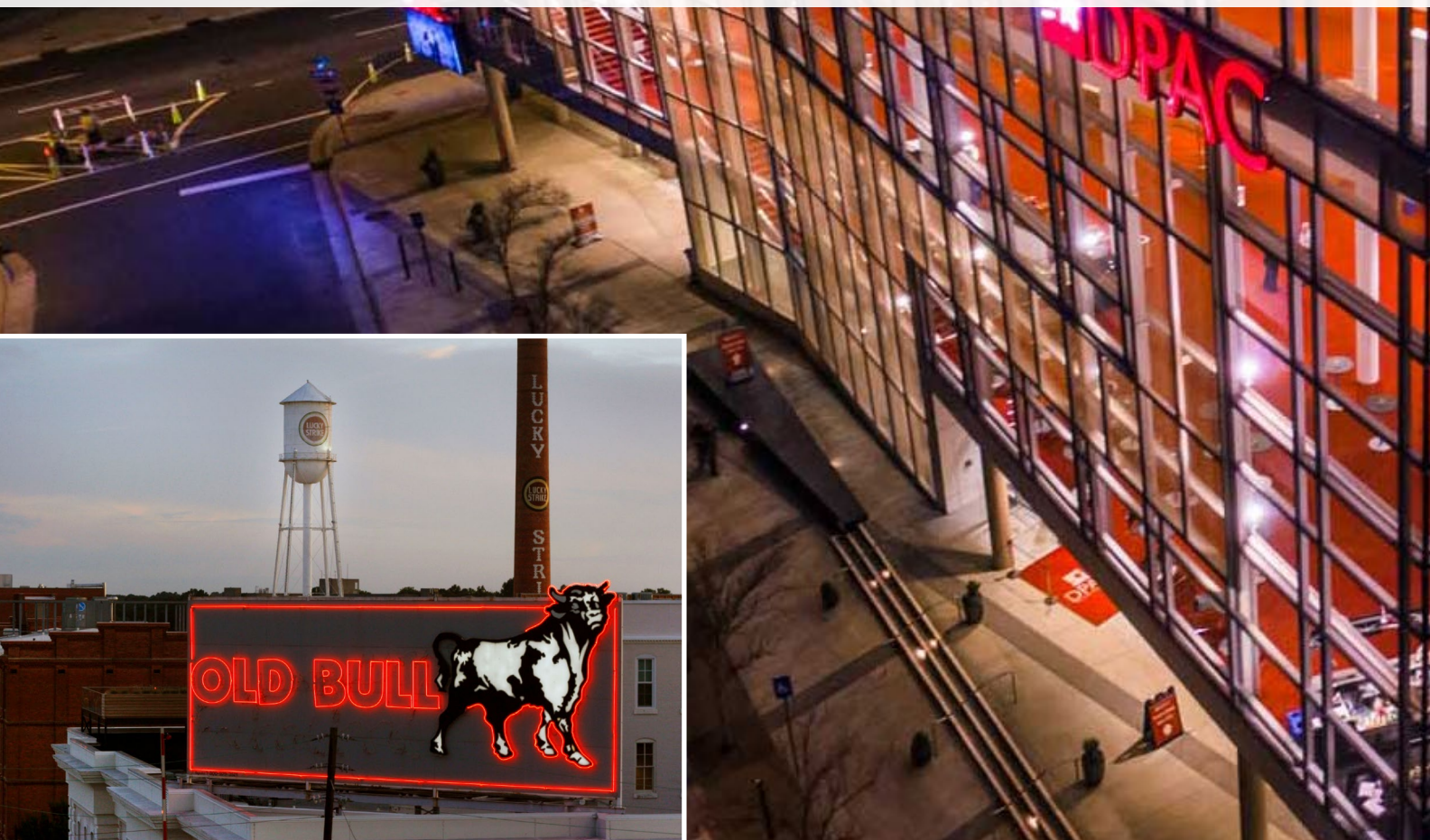
FITTING INTO THE FABRIC OF DURHAM

You have undoubtedly noticed a very obvious truth about our Bull City. Durham is growing ... rapidly.

You can literally see it and feel it at every turn. South Durham is exploding. Neighborhoods are expanding. Even my own neighborhood, downtown, is experiencing growing pains. Many dedicated people believed that it would happen, planned and worked for it to happen, and it is happening. The traffic is increasing. Yet, I received nothing but an incredulous stare as I complained to a friend visiting from Maryland about “a traffic jam” around Duke at 5:15 p.m. Everything is relative.

With this new growth come more people. And here, I must confess, is my bias. As a Durham native who left Durham after finishing college in 1971, I quickly headed for “greener pastures,” that is more sophisticated, culturally attuned cities, or so I thought. What I discovered is that the “fabric of Durham” is what I really missed and yearned for, so I returned in 1989 and have never regretted that decision, not for one second. I’m home now and love it.

And what comprises that “fabric of Durham”? Like any city, Durham has challenges and opportunities in many arenas ... affordable housing, homelessness, education, and equality issues. But Durham has citizens who get involved and make a difference on every level. If you think about your neighbors, you can probably name those who volunteer their time, talent, and treasures to a wide range of non-profits that strive to overcome these challenges mentioned above; who mentor youth struggling to find their way; who serve our homeless population; who clean our streams; who build homes with those who never thought they could or would own their own homes; who teach other Durhamites to read and thereby give them a gift that alters their lives; who deliver meals to seniors; who donate medical care for those who can’t afford it; who help others “dress for success” and find jobs; who work, tirelessly, to help us communicate with one another in our community; who help us express ourselves through art and music; and who help us find enjoyment in green spaces and parks. The list of what they do to make Durham such a special city is endless. And it starts with them giving of themselves. So simple yet so profound. They comprise the fabric of Durham.



Alice Sharpe, downtown resident and Durham native

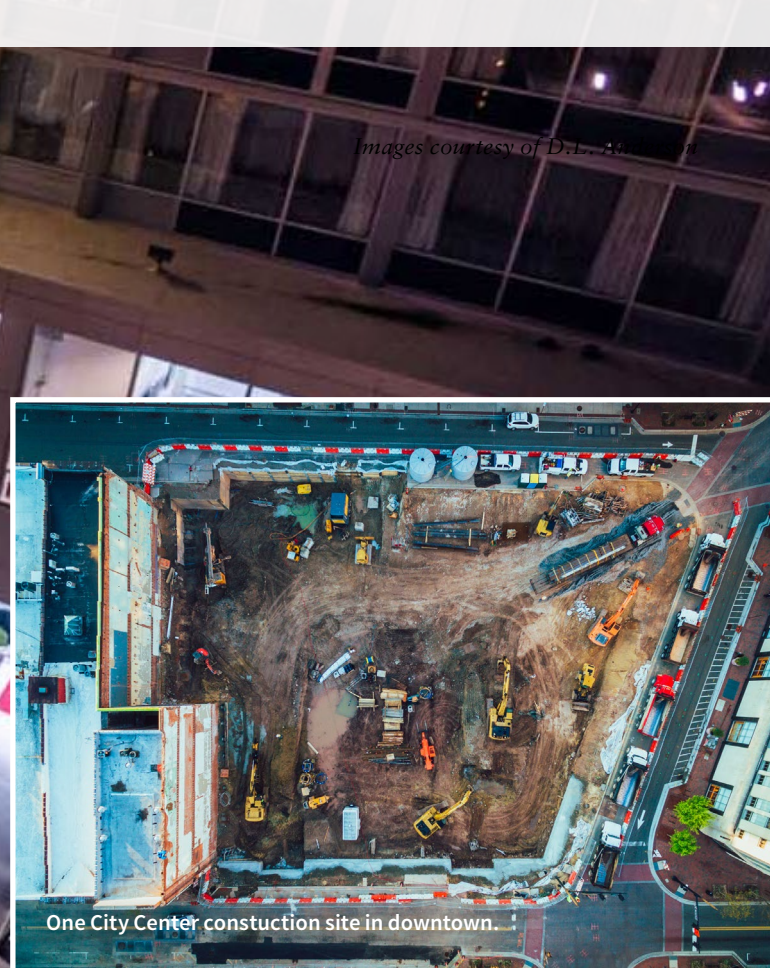
I thank them for their service. And, that list probably includes you, as well. So, thank you!

Now, back to my bias and those people who are flocking to Durham. While I'd love for Durham to retain that "town" feel, I know that with continued population growth that may be hard to do. Many new Durham transplants often speak of why they relocated to the Bull City. "Durham is great for entrepreneurs and I'm starting a new business." "It had a special feel to it." "We visited Durham on a layover at RDU and just loved it, so we moved here." "I had a great employment opportunity." "I did research and Durham won." "Durham has everything I want and it's a wonderful place to retire." Great ... welcome to Durham!

To our newest Durhamites, in order to sustain that "fabric of Durham" that pulls so many into this community, you should, you must, and I hope you will, contribute to that fabric by becoming a part of it.

For anyone who comes to Durham and doesn't get involved, to put it bluntly, please try a little harder. Durham is one of the easiest and most open cities in which to become engaged in civic and community organizations and efforts. There is an organization and a need with your name on it here. Even though I had been away from Durham for so many years, one visit to the Volunteer Center of Durham (now the Triangle Nonprofit and Volunteer Leadership Center) quickly filled that void of, "What can I do and how can I help?" One volunteer opportunity will lead to another, I promise.

And, along the way, as you become part of the fabric of Durham, you'll truly know and feel what it means to live in and love Durham. Yes, we "discuss" everything openly and sometimes loudly, but always with passion. At times, you will be infuriated, at times saddened. Yet, you'll also know that you are making a difference in this city and in the lives of its citizens. And, you'll know that you are becoming part of the fabric of Durham. You'll be home, too.



TAKING IT TO THE STREETS

Durham residents who need help from City Hall no longer have to visit 101 City Hall Plaza in person to get assistance. In addition to all the information residents can find online, they can simply look for the Durham City Hall On The Go truck coming to their neighborhoods. Inspired by the many successful food trucks that call Durham home, the Durham City Hall On The Go truck will serve residents where they live, work, and play. The truck, overseen by the City of Durham's Neighborhood Improvement Services Department on behalf of all City departments, is visiting Durham's many neighborhoods and offering a select menu of services for residents as well as attending special events, block parties, street festivals, and more.

Every City department has information on the truck and many different City employees, from police officers to water

management to solid waste, will also be on hand at various times to answer questions, provide information, and offer assistance. Because the truck is outfitted with Wi-Fi, residents can get help directly from the truck with activities such as searching and applying for employment, paying water utility bills, and sending requests for services online to Durham One Call.

The truck is about more than simply providing services; it's about connecting and communicating with residents face-to-face. For most residents, Durham One Call (919-560-1200) and the City's website – <http://DurhamNC.gov> – will remain the frontline for City services. But for some, traveling downtown to City Hall can be burdensome or time consuming. That's why we're building a better Durham by taking City Hall to the streets!



DURHAM: BY THE NUMBERS

4TH

Durham is the Fourth
Largest City in the State

79TH

Largest City in the U.S.

262,789

2016 Population
of Durham

110.3

Durham Area
in Square Miles

2,326

City of Durham
Employees

TRANSPORTATION

\$70,000

Cost to pave one lane mile
of a street

BUILDING PERMITS

\$490

million
Commercial Valuations

\$589

million
Residential Valuations

4,677

Permits Issued

POLICE

5

Police Stations

552

Sworn Officers

PARKS & RECREATION

68

Parks

10

Recreation Centers

PUBLIC WORKS

739

Miles of Streets

21,358

Streetlights

FIRE

23,890

Emergency Calls

884

Fires Extinguished

WATER MANAGEMENT

87,353

Customers

1,368

Miles of Water Mains

TREASURY ADMINISTRATION

Debt Management

There is much political discussion these days about government debt, government deficit, and the credit ratings of these governments. There is a distinction between debt and deficit. Debt is the facility by which capital projects are financed. A government's debt is the amount it owes to investors in total over a number of years. A government's deficit is the amount that a government's expenditures (including debt payments) exceed its revenue. Although the City's bonds create debt, they do not create a deficit as the City is required by law to pass a balanced budget annually.

Long-Term Financial Planning

The City actively monitors and manages its debt capacity. Evaluating the impact of new bond programs on future tax rates is an important element of debt management. A capital funding plan is presented to City Council (Council) as part of its annual retreat. The plan is an essential management tool that helps provide a comprehensive assessment of the City's ability to issue debt for its capital needs.

The City maintains a multi-year financial plan that provides information to clearly identify any deficit faced at the beginning of the budget development process. This is a crucial component of planning for the future. This plan projects the financial impact of achieving the objectives in the strategic plan and helps to identify resources needed to fund those objectives.

Durham continues with its forward-looking capital budget, presenting a long-term Capital Improvement Program (CIP) to Council. The CIP is a statement of the City's policy regarding long-range physical development. It is vital to the City because it is the principal planning tool designed to achieve urban growth and development. This program is developed for a six year period and is updated and revised annually. To be included in the CIP, a project requires a total expenditure of at least \$100,000.

The FY2017-2022 CIP is presented to the Council in a companion document to the FY2016-17 annual budget. The capital improvement budget for 2017 includes \$176.4 million to complete existing projects and for new projects, including Water and Sewer and Stormwater enterprise projects. Funding for general government projects is provided through general obligation bonds (GOs), certificates of participation (COPs), limited obligation bonds (LOBs), general fund revenue, grants, impact fees, and program income. The FY2017-2022 CIP process focused on prioritizing capital project needs and requirements. The CIP process was developed with the guidance of citizens and the internal CIP Advisory Committee.

Credit Ratings

There are approximately 22,500 cities in the U.S. and currently Durham is one of fewer than 40 cities nationwide to receive the top level triple-A General Obligation debt rating from all three major national rating agencies, Moody's, Standard & Poor's, and Fitch. This ranking makes the City one of the highest rated public entities in the country.

FY 2015-16 Debt Issuance

During FY 2015-16 the City executed a 70-month, 1.575 percent installment financing agreement for \$9.4 million with Bank of America Public Capital Corporation to finance the City's fleet acquisition process. Also during the fiscal year the City finalized an Installment Purchase Contract – Draw Program that will enable more flexibility with project funding. This contract with PNC Bank provides the City with a line of credit of up to \$95 million. It will be used for the acquisition and construction of major capital facilities, including the new Police Headquarters and 911 facility.

At year end the City had \$382.9 million in outstanding debt compared to \$423.4 million in the prior fiscal year, a decrease of \$40.5 million (9.6 percent). The City's outstanding debt by function is displayed in the table below.

Outstanding Debt By Function Year Ended June 30, 2016 (Amounts in Millions)	
General Government	\$222.7
Water and Sewer	88.6
Performing Arts Center	30.2
Solid Waste	16.2
Ball Park	15.0
Parking	8.5
Transit	1.7
Total	\$382.9

Recent Debt Issuance

In August 2016 the City saved money by refinancing a portion of its outstanding debt. The City sold \$56.7 million of Utility System Revenue Refunding Bonds that refinanced existing bond issues that were sold in 2011. The bonds were sold with an all-in true interest cost (TIC) of 2.64 percent, which incorporate all of the issuance costs. The sale of the bonds resulted in Net Present Value (NPV) savings of \$5.5 million or 12.7 percent of the refinanced bonds. Gross savings were \$8.1 million.

General Obligation Debt Ratio			
At June 30	Total GO Debt	Assessed Valuation	Total GO Debt to Assessed Valuation
2012	209,750,000	23,039,756,969	0.910%
2013	253,224,000	23,547,362,252	1.075%
2014	216,445,000	23,683,961,515	0.914%
2015	192,695,000	24,541,699,115	0.785%
2016	175,465,000	25,216,338,214	0.696%

North Carolina state statutes limit GO debt to eight percent of a local government's assessed valuation.

General Obligation Debt Ratio

North Carolina state statutes limit general obligation outstanding debt to eight percent of a local government's assessed valuation for property tax purposes. As displayed in the table on this page, the City's GO debt that applies to the debt limit is \$175.5 million, which is 0.696 percent of assessed valuation, and is significantly less than the current calculated statutory debt limit of \$2.0 billion.

Definitions:

Bonds: A debt obligation, or a written promise to pay back an amount plus interest by way of periodic payments within a specified period of time. The issuance of all City bonds is made in accordance with the provisions of N.C. General Statutes and with the approval of the Local Government Commission (LGC).

General Obligation Bonds (GOs): The City may borrow money from lenders, pledging the full faith and credit of the City to pay the loan through tax revenue. The method requires both the approval of voters through the referendum process and the approval of the LGC.

Certificates of Participation (COPs)/Limited Obligation Bonds (LOBs): Alternative financing method, requiring no voter approval. The City may issue COPs and LOBs for building or equipment using the building or equipment as collateral to secure the financing.

Installment Purchase Contract: A contract that is used to procure supplies or equipment from a contractor where payment for the supplies or equipment is made in a set of installment payments over a fixed period of time in accordance with the provisions of the contract, and in which the contractor agrees to deliver title of the property to the City in accordance with the terms and conditions of the contract.

True Interest Cost (TIC): The actual cost of issuing a bond. TIC includes all fees and costs.



THE CITY OF DURHAM'S BUDGET

Each year, the City adopts its annual operating budget, which allocates limited dollars to the highest community priorities. The City's budget is comprised of two major parts: the General Fund and the various Enterprise Funds. The General Fund is financed primarily by property and sales tax revenues and supports core services, such as public safety. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, such as the Water and Sewer Fund. The total budget for FY2016-17 is \$404.9 million compared to \$388.2 million for FY 2015-16, an increase of 4.3 percent. The budget includes a General Fund budget of \$181.6 million compared to \$171.8 million for last year, an increase of 5.7 percent (\$9.8 million). As displayed in the table and chart on the next page, public safety received the largest share of General Fund appropriations (\$93.0 million or 51.2 percent), followed by public services (\$46.8 million or 25.8 percent).

Other than looking at spending by major function, there is another way to look at spending and that is by the class of the expenditures. From this perspective, as displayed on the chart on the next page, personal services received the largest share of General Fund appropriations (\$140.5 million or 77.4 percent), followed by operating expenses (\$34.2 million or 18.8 percent), and all other expenses (\$6.9 million or 3.8 percent).

A major revenue issue for the 2016-17 budget is the property tax revaluation. North Carolina law requires all counties to reappraise real property every eight years. This year's budget includes a property tax rate of 56.07 cents per \$100 of assessed value. The rate is 3.05 cents per \$100 lower than the FY 2015-16 tax rate of 59.12 cents. As a point of reference, the revenue neutral tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no revaluation had occurred. The revenue neutral tax rate is 54.41 cents per \$100 of assessed value.

This year's tax rate of 56.07 cents per \$100 assessed value generates a tax bill of \$1,005.34 on a house valued at \$179,300, which is the median house value for the City of Durham, according to the Durham County Office of Tax Administration. Here is where the \$1,005.34 tax goes for the median house: \$571.03 for General Fund operations; \$233.24 for debt; \$109.58 for solid waste; \$73.39 for transit; and, \$18.10 for housing. The chart on this page displays the allocation of the property tax.

The Water and Sewer Fund budget effectively supports both water and sewer operations, capital needs, and increased infrastructure debt service costs. Increases for water and sewer volume charges

and service charges were approved for FY2016-17 to support the Capital Improvement Program projects planned for compliance and rehabilitation in the next several years. The total rate increase for the average customer is approximately three percent.

Definitions of the Major Functions in the General Fund

The **Public Safety** function includes the following departments: Emergency Communications, Emergency Management, Fire, and Police.

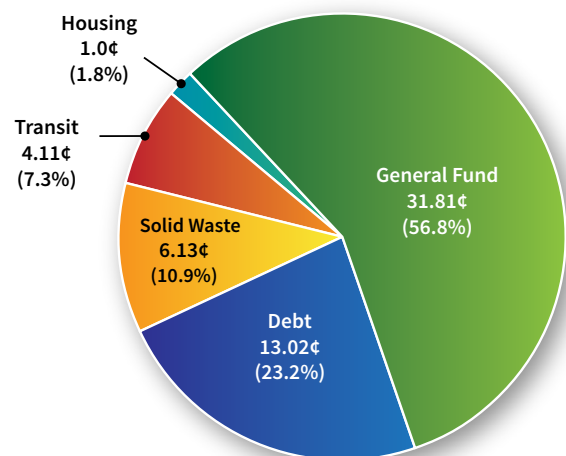
Public Services includes: Fleet Management, General Services, Parks and Recreation, Public Works, and Transportation.

Administrative and Support includes: Audit Services, Budget and Management Services, Equal Opportunity and Equity Assurance, Finance, Human Resources, and Technology Solutions.

Community Building includes: City/County Planning, Community Development, Economic Development, and Neighborhood Improvement Services.

Governance includes: City Council, City Attorney, City Clerk, and City Manager.

FY 2016-17 Property Tax Rate



**Total Property Tax Rate Equals
56.07¢ Per \$100 Assessed Value**

Major Functions Funded in the Budget

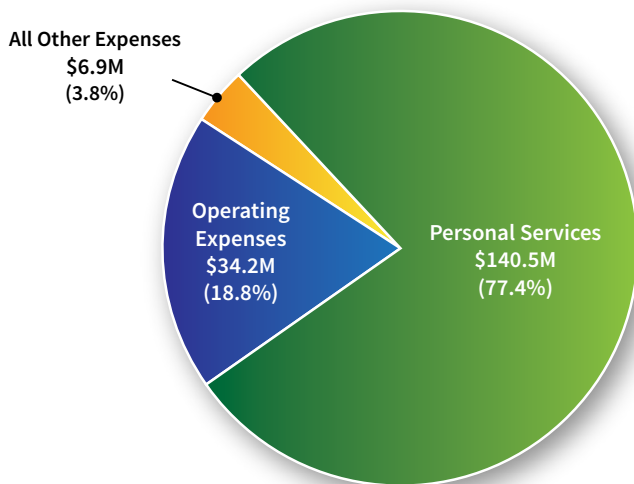
Year ended June 30 (Amounts in Millions)

Budget Ordinance	Adopted FY 2015-16	Adopted FY 2016-17	Percent Change
Public Safety	\$86.3	\$93.0	7.8%
Public Services	41.9	46.8	11.7%
Administrative and Support	15.3	16.3	6.5%
Community Building	17.0	14.8	-12.9%
Governance	6.4	6.4	0.0%
Non-Assigned	4.9	4.3	-12.2%
Total General Fund	\$171.8	\$181.6	5.7%



Budgeted Appropriations by Class

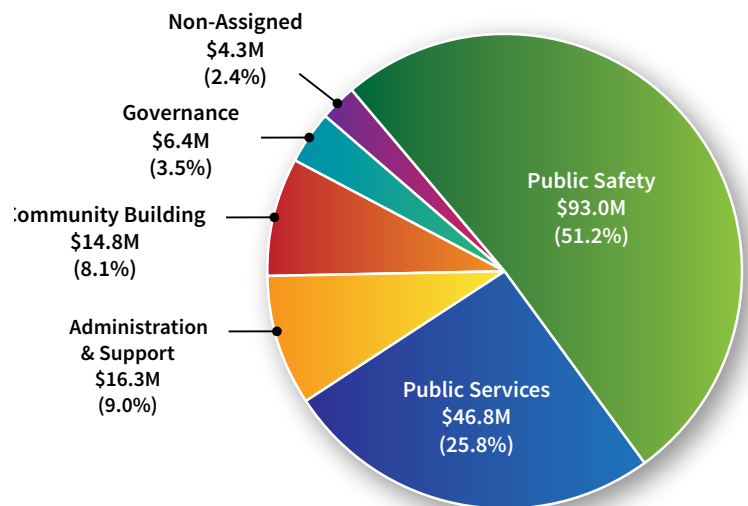
Adopted FY 2016-17



Total General Fund Appropriations Equal \$181.6 Million

Major Functions Funded in the Budget

Adopted FY 2016-17



Total General Fund Appropriations Equal \$181.6 Million

THE PLAYLIST FOR SUCCESS

To help guide our future progress, here is a playlist of the traits that we believe have contributed to Durham’s success.

1.

You can pick out the local patriots. If you ask someone, “Who makes Durham go?” it seems that everyone has an answer. The answers might be different; with one resident mentioning, perhaps, a City Council member, while another resident will mention a local business entrepreneur or real-estate developer. It doesn’t matter so much who is mentioned; what matters is that the question has an answer.
2.

Public-private partnerships are in. People can point to specific achievements, such as Research Triangle Park (RTP) or the Durham Performing Arts Center (DPAC), and say, “This is what a partnership means.”
3.

Residents know our civic story. Durham has its history, dating back to Dr. Bartlett Durham’s donation of land to create the railroad stop named Durham Station. The City also has a more contemporary story. Depending on who you ask, it has set an example of a turnaround. It is big enough to make anything possible; it is small enough to actually get things done. The value is that our residents know our story, and that helps provide a sense of how today’s efforts are connected to what happened yesterday and what we hope for tomorrow.
4.

We have a downtown that is thriving. We are pouring attention, resources, and creativity into our downtown. Downtown Durham’s population is expected to grow by about 150 percent in the near future. Second- and third-floor apartments and condos over restaurants and stores with lights on at night reveal that downtown has crossed a decisive threshold.
5.

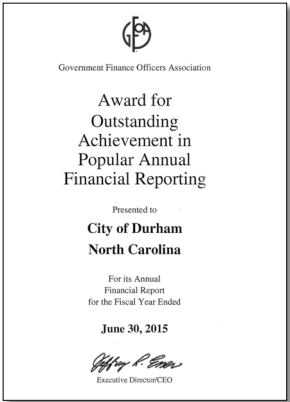
We are the home of Duke and North Carolina Central universities. Universities in general have become the modern counterparts to a natural harbor or a river
- confluence. In the short term, universities lift the local economy by bringing in a student population. Over the longer term, universities transform Durham through the researchers and professors they attract.
6.

We care about Durham Technical Community College. Durham Tech serves approximately 20,000 adult students each year. It champions learning, delivers teaching and service, and develops career skills for students to contribute to the economic vitality of the area.
7.

We have experimental K-12 schools, including Durham School of the Arts, North Carolina School of Science and Mathematics, charter schools, and others. The common theme among these different programs is the intensity of experimentation.
8.

We have made ourselves open and inclusive. Durham has the hallmarks of being a welcoming community. Just a couple of illustrations: within City Hall, City Council has extended health care benefits to same sex domestic partners for many years. An indication of our openness outside of City Hall is that during February of this year, the website SmartAsset recognized Durham as a top ten city for creative people. The same emphasis on inclusion that makes Durham attractive to talented outsiders increases its draw to our own natives.
9.

Last but not least, we have big plans. Durham is the home of dreamers, believers, creators, and planners. For example, whether it is our award-winning Strategic Plan, Comprehensive Parking and Pedestrian Studies, Aquatics Facilities Master Plan, or Downtown Master Plan, we make plans. And, more often than not, we attain the goals and objectives of the plans.



FINANCE AND BUDGET AWARDS

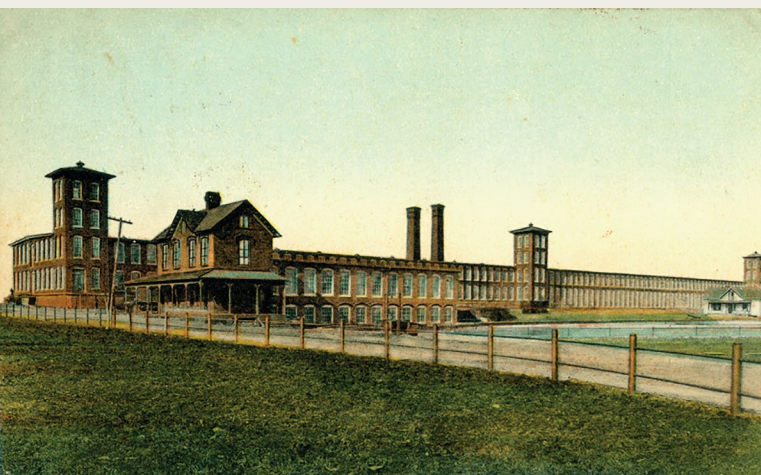
Durham’s *Comprehensive Annual Financial Report (CAFR)* has won the Government Finance Officers Association of the United States and Canada (GFOA) award for 31 consecutive years and Durham has received the GFOA award for Distinguished Budget Presentation for 28 consecutive years – proof our Finance and Budget Departments are repeatedly getting things right when it comes to financial planning, investments, and debt management. To earn these Certificates of Achievement, the City must annually publish an easily readable and efficiently organized budget and CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles (GAAP) and accepted legal requirements. In addition, Durham’s *Citizens’ Financial Report* has received 12 consecutive awards for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA. Durham is one of two North Carolina cities to hold all three national GFOA awards.

OLD WEST DURHAM *John Schelp, Ex-president, Old West Durham Neighborhood Association*

BEFORE DURHAM, THERE WAS PIN HOOK.

Pin Hook was a small settlement on the ridge separating two river basins. The little traveler's rest, between Hillsboro and Raleigh, was across from what's now Erwin Square in Old West Durham. Durham historian Jean Anderson describes how Pin Hook attracted the shiftless of society, addicted to all sorts of vices. The settlement included a lodging house, camping grove, brothels, and grog shops for travelers.

More than 100 years ago, W. S. Lockhart wrote that Pin Hook was "known as a place of brawls and rough-and-tumble fights, drinking, gambling and other forms of amusement, where the natives and visitors met to have a rough, roaring, and to them, glorious time." Then came 1892, the most important date in the history of West Durham, which marked the twin arrivals of Erwin Cotton Mills and Trinity College. Durham would be forever changed. The steady noise of the mills on Ninth Street hummed throughout the tidy mill village. Making denim and sheets, the Erwin Mills discharged its hot, soapy water into the creek, leaving the entire neighborhood smelling like a laundromat. When the noise stopped on Sundays, West Durham seemed unnaturally still.



A vintage postcard depicting Erwin Mills.

Mill managers, like William Erwin and Edward Knox Powe, walked through the mill village and stopped to talk to the workers in their yards and on their front porches. Neighbors attended band concerts in Erwin Park. Workers were given rosebushes to plant in their yards, and many still bloom in Old West Durham. Neighbors watched the mill's baseball team beat its crosstown rivals at the old ball field at West Main and Broad (where Mad Hatter's is today). Then they'd sit on the porch until it was cool enough to go inside.

Meanwhile, Trinity College president Braxton Craven was arguing strenuously for moving his struggling school from Randolph County to a more urban setting. He acknowledged the presence of "bawdy houses in the city" but said it was worse back in the village of Randolph County. Craven appealed to the Methodist Conference to "deliver Trinity College, this child of Providence, from the bondage of its birthplace and thus lead it out into the open world of grander opportunity." William K. Boyd, Duke professor of history said, "the college was in bad financial condition, and there was talk of closing its doors" in the late 1800s.

By 1892, Trinity's new president John Crowell shared the belief that if the school were to survive the rapidly changing conditions of the new South, it had to move from its old campus. Durham resident Julian Shakespeare Carr was one of those who "came to the rescue." Carr was perhaps the most important person in the early history of the college. In fact, Carr, along with two men from Winston, "assumed entire financial responsibility for the institution." "In such a way," wrote Professor Boyd, "the institution was saved from complete collapse." In 1892, Carr donated his racetrack and park for what is now Duke's East Campus. Durham resident Washington Duke donated money. Thus, Trinity College arrived in Durham in a railroad car that carried the old college bell, clock, office safe, and several books. A handful of students and faculty also made the trip. The college cow arrived later.

Had the little school remained in Randolph County, it likely wouldn't have survived the economic depression of 1893. With a "newer outlook" and the generosity of Durham residents, the college grew. Its monetary value easily increased over ten times after its relocation. The faculty and student body expanded and Durham citizens took up a collection to pay for Southgate dorm.

After the move to Durham, the editor of the Trinity Archive wrote of the college's "incomparably greater advantage to all concerned than ever before." Then, in 1924, another Durham citizen, James 'Buck' Duke, gave Trinity \$40 million. The college changed its name to Duke University, bought the Rigsbee family farm (south of the Erwin Mill village), and started building West Campus. Many of the Italian stonecutters who built Duke Chapel lived in West Durham. And the ravine where the Rigsbees kept their pigs is now Duke's football stadium. In the aftermath of Pearl Harbor, the Rose Bowl was moved to Durham in 1942, and the Rose Parade went straight down Main Street.

With its colorful past, this old Pin Hook is still a place where the front porch is used for visiting with neighbors, where you can still hear the whistle of trains, and where the roses still bloom.



Drone view of the Solid Waste Operations Facility.



DURHAM IS A COLORFUL, CREATIVE, AND ENTREPRENEURIAL COMMUNITY THAT CONTINUOUSLY EARNS ACCOLADES AS ONE OF THE BEST PLACES TO LIVE, WORK, AND PLAY.

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About the cover art: "Eye Heart Durham" mural located outside Kulture Lifestyle Boutique at 1104½ Broad Street; artist unknown.

Photo credits: City of Durham Office of Public Affairs, Estlin Haiss, Brenda Herrmann.